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DON'T PUT YOUR AUTO INSURANCE ON AUTO–PILOT

***HAWAII'S** Insurance Commissioner Offers Tips for Updating Coverage, Saving Money*

Honolulu, Hawaii December 2006: Smart motorists rely on seatbelts and airbags as the first line of protection in the event of a car accident. Another important safeguard — especially for financial security — is understanding and purchasing appropriate automobile insurance coverage. That's one reason the National Association of Insurance Commissioners (NAIC), of which **Hawaii** is a member, has created its consumer Web site, InsureUonline.org.

While liability or no-fault insurance is mandated in most states, it is also a necessity for nearly all drivers to protect their assets in the event they cause a motor vehicle accident. Still, according to a 2006 Insurance Research Council study, 15 percent of U.S. drivers were uninsured in 2004, up from 13 percent in 1999.

"Consumers should carefully assess their auto insurance needs, and shop around for the best price and most appropriate type of coverage," said J.P. Schmidt, Hawaii's Insurance Commissioner.

Consumer Attitudes about Auto Insurance

It is in the consumer's best interest to re-evaluate his or her auto coverage each year. However, a 2005 NAIC consumer study showed a significant number of drivers from all life stages (20–35 percent) had not reviewed or updated their auto insurance in the past 12 months.

The study also revealed that 20 percent of young singles with auto insurance would consider letting their coverage lapse as a way to save money. However, 77 percent of young families with at least one child reported increasing their auto insurance coverage to more than the legal requirement because of their children.

Understanding the Basics of Auto Insurance

Several factors may affect auto insurance premiums. These factors include, but are not limited to, vehicle make and model, credit history, driving record, age, gender, marital status, annual mileage, mileage to work, coverage limits, claim history and territory. Territory, in some cases, is defined by ZIP Code and, in other cases, by geographic boundaries developed by insurers. It is important to understand that not all risk classifications that are listed apply in every state.

Insurance companies differ on which criteria is weighed heaviest when determining auto premiums, while some states mandate which factors can be emphasized. Parents also will see a significant change in premium when adding a teenager to the family auto policy. In some states, rates may double for a teenage boy and increase as much as 50 percent for a teenage girl.

There are several types of insurance coverage to consider when purchasing an auto policy:

- **Liability insurance** is required by most states. It covers medical expenses and damages to another person's property as a result of a motor vehicle accident caused by the insured's negligence.
- Some states mandate **"no fault"** auto insurance, which provides coverage for medical expenses, rehabilitation, funeral expenses, lost wages and in-home assistance to the driver and his or her passengers, regardless of who is held at fault in an accident.
- Many policies offer or include **uninsured or underinsured motorist protection**, which provides coverage for the insured and his or her passenger(s) if they are injured in a collision caused by an uninsured or underinsured motorist.
- Drivers with newer or leased cars may need to carry **comprehensive insurance**, which covers vehicular damages caused by fire, theft, wind, hail or a run-in with a deer.
- **Collision insurance** covers the cost of repairs or the actual cash value of the vehicle, if damaged or totaled in a crash or rollover. When financing a vehicle, banks often require comprehensive and collision coverage until the insured has paid off the loan.
- Consumers with large financial assets may want an **umbrella liability policy**, which provides additional coverage ($1 to $5 million) beyond the primary personal auto liability coverage.

General Money Saving Tips

Before buying or leasing a vehicle, remember that the make and model can drastically affect insurance rates. For example, luxury cars, high performance cars and convertibles — all of which may be attractive to thieves and more costly to repair — are more expensive to insure than basic models. All consumers should keep the following tips in mind when evaluating their auto insurance needs:

- Shop around and compare rates from different insurance companies.
- In some cases, an insurance company may offer a multi–policy discount if a consumer purchases both auto and homeowners coverage.
- Ask about discounts for cars equipped with safety features, such as anti–lock brakes, anti–theft devices and automatic seat belts.
- Consider raising the deductible on your collision and/or comprehensive insurance. With a higher deductible, the insured will be responsible for more of the cost to fix damages caused in an accident, but will pay a lower premium.

- Some companies offer discounts to drivers who have three or more years without an accident or moving violation.
- For older cars, consider dropping collision and/or comprehensive coverage altogether. In many cases, the insurance company will only pay the "book value" of an older car in the event of an accident — which may be much less than the actual cost of repairs.
- Ask your insurance agent if the auto policy extends to rental cars. Often liability, no-fault and collision coverage on a personal policy extends to a rental car for personal use.
- Maintain a good credit history, because a credit score can have a direct impact on auto premiums.

Make Adjustments Based on Your Life Stage Needs

"It is important to review your auto policy each year," said J.P. Schmidt. "Decide whether your insurance needs have changed and update your coverage accordingly. If you have any questions, be sure to check with our department."

Consumers' insurance needs are constantly changing. Major events, such as turning 25, getting married or improving your credit rating, may make you eligible for lower rates. Here are a few more tips to consider:

- Consumers who are serving in the military and deployed abroad should consider lowering their liability coverage to the state–mandated minimum and dropping collision coverage altogether if the vehicle will not be driven for an extended amount of time. However, they may want to consider keeping comprehensive coverage, which provides coverage if a car is stolen or damaged, but raising their deductible. Check with your agent or state insurance department regarding coverage requirements under these special circumstances.
- Young families, who are likely to be car pooling with other people's children, should consider raising their liability coverage. Before purchasing a bigger car, such as an SUV, they also should consider how the vehicle will impact their insurance rates.
- For established families with teen drivers, parents should ask if their insurer offers discounts for teens that pass a driver's safety course or maintain a B average or better in school. Parents should ask whether they can receive an "accident forgiveness" clause that promises not to raise premiums if their teen gets into one minor accident. They also should consider raising the family's deductible and having their teen drive the family's oldest, least expensive car. Or, if they can afford it, consider purchasing an older car for their teen and foregoing comprehensive and collision insurance on that car.
- Drivers over the age of 50, who historically tend to be more cautious than their younger counterparts, may be eligible for reduced rates. Seniors should consider taking a driver's refresher course, like those offered by the AARP or AAA, which may help them qualify for a discount.

For more information about insurance, consumers can visit Insure U, the NAIC's consumer education Web site, at www.InsureUonline.org.

ABOUT THE NAIC

Headquartered in Kansas City, Missouri, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and the five U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace. For more information, visit NAIC on the Web at: http://www.naic.org/press_home.htm